

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF WESTERN) CASE NO. 9556-B
KENTUCKY GAS COMPANY)

O R D E R

On October 31, 1986, the Commission issued its Order in Case No. 9556 approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates on a quarterly basis in accordance with the provisions of the Gas Cost Adjustment ("GCA") Clause set forth therein.

On April 1, 1987, Western Kentucky Gas Company ("Western") filed its quarterly GCA which is to become effective May 1, 1987, and is to remain in effect until August 1, 1987. On April 8, 1987, Western filed an amended application to reflect a further supplier decrease effective April 1, 1987.

Western's application contained a proposed mechanism for billing individual end user transportation service in Western's Tennessee Gas Pipeline Company ("Tennessee") market area that would differ from the billing mechanism used for its Texas Gas Transmission Corporation ("Texas") market area. Western requested approval to eliminate the demand component from the transportation rate it charges its customers in the Tennessee zone, on the grounds that Tennessee's transportation rate to the customer

already includes an imputed demand charge. There is presently no separate demand and commodity charge billed to Western in the Tennessee zone. According to Western, however, a decision could be made by the Federal Energy Regulatory Commission ("FERC") at any time to force Tennessee to bill all its Rate Schedule G customers using a 2-part (as opposed to a one-part) rate.

After reviewing the record in this case and being advised, the Commission is of the opinion and finds that:

(1) Although Western's Tennessee area customers could be billed an explicit demand charge at any time in the future, they are not now being charged a demand charge. Western has imputed the Tennessee demand charge as being the difference between the GS-2 rate Tennessee is actually charging Western and the G-2 rate it would normally be charged. In the interest of rate uniformity in all of Western's zones, and pending an actual FERC decision mandating a 2-part rate, Western should continue to charge its Tennessee zone customers the gross margin transportation rate.

(2) Until Tennessee actually charges a 2-part rate with an explicit demand charge set out, Western should transfer the cost from Tennessee that Western is currently labeling demand cost to the commodity portion of its computation of expected gas cost. This slightly increases the commodity cost portion of Western's retail sales rates, but it also reduces transportation rates in all of Western's service area by reducing the demand component charged.

(3) Western's notice of April 8, 1987, set out certain revisions in rates which Western proposed to place into effect, said rates being designed to pass on the overall wholesale decrease in gas costs from its suppliers in the amount of 4.17 cents per Mcf. Western calculated its decrease as 5.21 cents per Mcf using expected gas cost net of imputed Tennessee demand cost. The preferred treatment of these costs in the Expected Gas Cost component has already been addressed herein.

(4) Western's notice set out a total refund adjustment from last quarter of .34 cents per Mcf. Western received a refund in the current quarter of \$1,528. Western proposed to return this amount to its customers in a future filing when there is a material amount to refund. Western should hold the refund for return to its customers in a future period.

(5) Western's notice set out an actual adjustment of 8.74 cents per Mcf to return previous overcollections to its customers.

(6) Because this is Western's second GCA filing, it has no balance adjustment.

(7) Western proposed a gas cost adjustment ("GCA"), or a decrease from its Base Cost of Gas Component, of 40.36 cents per Mcf. The GCA should be 39.32 cents per Mcf, using the preferred treatment of calculating expected gas cost authorized herein. This decrease represents the combined effect of the supplier decrease, the refund adjustment and the actual adjustment.

(5) Western's corrected adjustments in rates under the provisions approved by the Commission in its Order in Case No. 9556, dated October 31, 1986, are fair, just and reasonable and in

the public interest and should be effective with gas supplied on and after April 1, 1987.

IT IS THEREFORE ORDERED that:

(1) The rates in the Appendix to this Order be and they hereby are authorized effective with gas supplied on and after April 1, 1987.

(2) The GCA shall be 39.32 cents per Mcf effective with final meter readings on and after April 1, 1987, instead of 40.36 cents per Mcf as Western proposed.

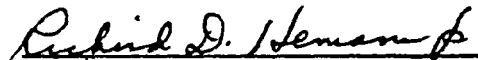
(3) Within 30 days of the date of this Order Western shall file with this Commission its revised tariffs setting out the rates authorized herein.


(4) Western shall continue to charge all its transportation customers using gross margin transportation rates.

(5) Western shall calculate its expected gas cost by including all Tennessee charges in commodity charges as authorized herein.

Done at Frankfort, Kentucky, this 30th day of April, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9556-B DATED 4/30/87

The following rates and charges are prescribed for the customers in the area served by Western Kentucky Gas Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

RATES:

Applicable to: All Gas Rates Schedules

Gas Cost Adjustment

To each bill rendered under the above named rate schedules there shall be added an amount equal to: (\$.3932) per Mcf of gas used during the billing period.

The base rate for the future application of the purchased gas adjustment clause of Western Kentucky Gas Company shall be:

Texas Gas Transmission Corp.

	<u>Demand-1</u>	<u>Demand-2</u>	<u>Commodity</u>	<u>Gas Rate</u>
G-2	\$4.43	\$.1175	\$2.2994	-0-
G-3	4.70	.1294	2.3243	-0-
G-4	4.89	.1388	2.3417	-0-

Tennessee Gas Pipeline Co.

GS-2	-0-		.6257/Dth	1.7942/Dth
Local Producers		-0-	-0-	2.2546/Dth